

EXHIBIT 1

INTRODUCTION

Respondent Gordon A. Galvan was elected to the San Leandro City Council in 1994, and was re-elected to the position in the June 2, 1998 primary election. Respondent Committee to Elect Gordon Galvan (the “Committee”) was, at all times relevant to this matter, the controlled committee of Respondent Gordon A. Galvan, and Respondent Gordon A. Galvan acted as its de facto treasurer. Respondent Gordon A. Galvan resigned his San Leandro City Council position on June 1, 2001.

Under the authority of the Political Reform Act (the “Act”),¹ the Franchise Tax Board (the “FTB”) audited the finances of Respondents’ 1997-1998 city council campaign. During the period July 1, 1997 through June 30, 1998, Respondents received contributions totaling \$20,928, and made expenditures totaling \$22,730.

Respondent Committee, having legally qualified as a recipient committee, was required under the Act to file certain campaign statements and reports disclosing the contribution and expenditure activity of Respondent Committee. Respondents committed ten violations of the Act by: failing to disclose contributions during a semi-annual reporting period; failing to disclose expenditures for two pre-election reporting periods and two semi-annual reporting periods; failing to disclose two late contributions; and by failing to keep required campaign records necessary to prepare three campaign statements.

For the purposes of this Stipulation, Respondents’ violations are stated as follows:

COUNT 1: Respondents Gordon A. Galvan and the Committee to Elect Gordon Galvan failed to disclose contributions totaling \$6,679 in a second semi-annual campaign statement, for the reporting period July 1, 1997 through December 31, 1997, filed on or about February 2, 1998, in violation of Section 84211, subdivision (f).

COUNT 2: Respondents Gordon A. Galvan and the Committee to Elect Gordon Galvan failed to disclose expenditures totaling \$6,392 in a second semi-annual campaign statement, for the reporting period July 1, 1997 through December 31, 1997, filed on or about February 2, 1998, in violation of Section 84211, subdivision (j)(5).

¹ The Political Reform Act is contained in Government Code sections 81000 through 91014. All statutory references are to the Government Code unless otherwise indicated. The regulations of the Fair Political Practices Commission appear at California Code of Regulations, Title 2, sections 18109-18996. All regulatory references are to Title 2 of the California Code of Regulations.

- COUNT 3: Respondents Gordon A. Galvan and the Committee to Elect Gordon Galvan failed to maintain the detailed accounts, records, bills and receipts necessary to prepare a second semi-annual campaign statement, filed on or about February 2, 1998, for the reporting period July 1, 1997 through December 31, 1997, in violation of Section 84104.
- COUNT 4: Respondents Gordon A. Galvan and the Committee to Elect Gordon Galvan failed to disclose expenditures totaling \$450 in a first pre-election campaign statement, for the reporting period January 1, 1998 through March 17, 1998, filed on or about March 24, 1998, in violation of Section 84211, subdivision (j)(5).
- COUNT 5: Respondents Gordon A. Galvan and the Committee to Elect Gordon Galvan failed to disclose expenditures totaling \$2,469 in a second pre-election campaign statement, for the reporting period March 18, 1998 through May 16, 1998, filed on or about May 21, 1998, in violation of Section 84211, subdivision (j)(5).
- COUNT 6: Respondents Gordon A. Galvan and the Committee to Elect Gordon Galvan failed to maintain the detailed accounts, records, bills and receipts necessary to prepare a second pre-election campaign statement, filed on or about May 21, 1998, for the reporting period March 18, 1998 through May 16, 1998, in violation of Section 84104.
- COUNT 7: Respondents Gordon A. Galvan and the Committee to Elect Gordon Galvan failed to disclose a \$3,000 late contribution in a properly filed late contribution report, by May 25, 1998, in violation of Section 84203.
- COUNT 8: Respondents Gordon A. Galvan and the Committee to Elect Gordon Galvan failed to disclose a \$2,000 late contribution in a properly filed late contribution report, by June 2, 1998, in violation of Section 84203.
- COUNT 9: Respondents Gordon A. Galvan and the Committee to Elect Gordon Galvan failed to maintain the detailed accounts, records, bills and receipts necessary to prepare a first semi-annual campaign statement, filed on or about August 3, 1998, for the reporting period May 17, 1998 through June 30, 1998, in violation of Section 84104.
- COUNT 10: Respondents Gordon A. Galvan and the Committee to Elect Gordon Galvan failed to disclose expenditures totaling \$2,306 in a second semi-annual campaign statement, for the reporting period May 17, 1998 through June 30, 1998, filed on or about August 3, 1998, in violation of Section 84211, subdivision (j)(5).

SUMMARY OF THE LAW

An express purpose of the Act, as set forth in Section 81002, subdivision (a), is to ensure that the contributions and expenditures affecting election campaigns are fully and truthfully disclosed to the public, so that voters may be better informed, and improper practices may be inhibited. To that end, the Act sets forth a comprehensive campaign reporting system designed to accomplish this purpose of disclosure.

Duty to File Campaign Statements

Section 82013, subdivision (a) defines a “committee” as any person or combination of persons who directly or indirectly receive contributions totaling one thousand dollars (\$1,000) or more in a calendar year. This type of committee is commonly referred to as a “recipient” committee. Under Section 82016, subdivision (a), a recipient committee that is controlled directly or indirectly by a candidate is a “controlled committee.”

Any person or persons who constitutes a committee, pursuant to section 82013, subdivision (a), is required to file certain campaign reports and statements disclosing the campaign activity of the recipient committee, as required under the Act. Under section 82013, and Regulation 18404, subdivision (b), a recipient committee’s filing obligations continue in effect, until such time as that committee is legally terminated. Section 84214 and Regulation 18404, subdivision (b) provide that a recipient committee is not legally terminated until the committee’s treasurer files a termination statement on behalf of the committee, declaring that all of the pre-conditions for termination have been met.

Section 84215, subdivision (e) requires all city elected officers, candidates for city office, and their controlled committees to file their campaign statements with the clerk of the city.

As a recipient committee and a candidate, Respondents had a duty to file certain reports disclosing campaign receipts and expenditures made by Respondent Committee, as addressed below.

Duty to Disclose Campaign Contributions and Expenditures

Section 84200.5, subdivision (b) requires that candidates and recipient committees involved in an election held on the first Tuesday after the first Monday in June of an even-numbered year must file pre-election campaign statements according to a schedule set forth at Section 84200.7, subdivision (a). Section 84200.7, subdivision (a)(1) requires candidates and recipient committees to file a first pre-election campaign statement for the reporting period ending March 17, no later than March 22. Section 84200.7, subdivision (a)(2) requires candidates and recipient committees to file a second pre-election statement for the reporting period ended 17 days before the election, no later than 12 days before the election.

Section 84200, subdivision (a) requires candidates and recipient committees to file two semi-

annual campaign statements each year. The first semi-annual campaign statement must cover the reporting period January 1 to June 30, and must be filed by July 31. The second semi-annual campaign statement must cover the reporting period July 1 to December 31, and must be filed by January 31 of the following year. In any semi-annual period in which a committee is required to file pre-election campaign statements, the reporting period covered by the semi-annual campaign statement for that period is shortened from six months to the period between the closing date of the last pre-election statement and the end of the semi-annual period.

Section 84211, subdivision (f) sets forth the requirement to disclose the amount of contributions received by contributors in campaign statements. For contributors of \$100 or more who make a contribution to a candidate or committee during a reporting period, Section 84211, subdivision (f) requires the candidate and committee to provide on each semi-annual and pre-election campaign statement the following information about the contributor: (1) his or her full name and street address; (2) his or her occupation, and the name of his or her employer, or if self-employed, the name of his or her business; (3) the date and amount of each contribution received from the contributor during the reporting period; and (4) the cumulative amount of the contributions received from the contributor.

Section 84211, subdivision (j)(5)² sets forth the requirement to disclose the amount of expenditures made in campaign statements. For each person to whom an expenditure of one hundred dollars (\$100) or more has been made during the period covered by the campaign statement, the campaign statement must include all of the following: (1) the person's full name; (2) the person's street address; (3) the amount of each expenditure; and (4) a brief description of the consideration for which each expenditure was made.

Duty to Maintain Campaign Records

To ensure accurate campaign reporting, Section 84104 imposes a mandatory duty on each candidate, treasurer, and elected officer to maintain detailed accounts, records, bills and receipts that are necessary to prepare campaign statements, and to comply with the campaign reporting provision of the Act. Pursuant to Regulation 18401, subdivision (a)(1), this duty includes maintenance of detailed information and original source documentation for a committee's activities, including all bank statements, check registers, canceled checks, bills, receipts, invoices, statements or other documents reflecting obligations incurred by the committee.

Furthermore, Regulation 18401, subdivision (a)(3) requires, for contributors of \$100 or more, that a filer's accounts and records shall contain, among other things, the full name and street address of the contributor, the date of each contribution received from the contributor during the reporting period, and the occupation and employer, or if self-employed, the name of the principle place of business, of the contributor.

Finally, Regulation 18401, subdivision (b)(2) requires the accounts, records, bills, receipts, and

² This code reference is to the subdivision as it existed in 1998, at the time of the subject violation. Section 84211 was amended in 2000, such that the requirements of subdivision (j)(5) are now embodied in subdivision (k)(5) of the same section.

original source documentation that must be maintained by a filer to be retained for a period of four years following the date that the campaign statement to which they relate is filed.

Duty to Disclose Late Contributions

Under Section 84203, subdivision (b), when a candidate controlled committee makes or receives a late contribution, the candidate and committee must disclose the contribution in a late contribution report that must be filed within 24 hours of making or receiving the contribution. Section 82036 defines a “late contribution” as a contribution, including a loan, aggregating \$1,000 or more, that is received before an election, but after the closing date of the last pre-election statement. Under Section 84200.7, subdivision (b), for an election held in June or November of an even-numbered year, the late contribution period covers the last 16 days before the election. For an election not held in June or November of an even-numbered year, Section 84200.8, subdivision (b) dictates that the late contribution period covers the last 16 days before the election.

SUMMARY OF THE FACTS

Respondent Gordon A. Galvan was elected to the San Leandro City Council in 1994, and was re-elected to the position in the June 2, 1998 primary election. Respondent Committee to Elect Gordon Galvan was, at all times relevant to this matter, the controlled committee of Respondent Gordon A. Galvan.

COUNT 1

Failure to Disclose Campaign Contributions

As Respondent Gordon A. Galvan was a candidate for the San Leandro City Council on the June 2, 1998 primary election ballot, Respondents Gordon A. Galvan and the Committee to Elect Gordon Galvan had a duty to file a semi-annual campaign statement, disclosing contributions received by Respondent Committee during the second semi-annual reporting period of July 1, 1997 through December 31, 1997. The second semi-annual campaign statement was due by February 2, 1998, and was timely filed.

According to Respondent Committee’s bank records and cancelled checks, Respondents received contributions totaling \$6,679 during the second semi-annual reporting period of 1997, but failed to disclose any of the \$6,679 in contributions on the Committee’s second pre-election campaign statement, as they were required to do under Section 84211, subdivision (f).

By failing to disclose \$6,679 in contributions on a second pre-election campaign statement, Respondents committed a violation of Section 84211, subdivision (f).

COUNTS 2, 4, 5 and 10
Failure to Disclose Campaign Expenditures

As Respondent Gordon A. Galvan was a candidate for the San Leandro City Council on the June 2, 1998 primary election ballot, Respondents had a duty to file certain specified campaign statements, disclosing expenditures made by Respondents during various reporting periods between July 1, 1997 to June 30, 1998, as addressed below.

According to Respondent Committee's bank records, Respondents made expenditures totaling \$22,730 during the reporting periods between July 1, 1997 to June 30, 1998, but failed to disclose \$11,617 of these expenditures on the required campaign statements for those reporting periods.

The total expenditures that Respondents made, and the amount of expenditures Respondents failed to disclose on the relevant campaign statements, is set forth below:

Count	Reporting Period	Statement Type	Total Expenditures made by Committee	Expenditure Amounts Reported	Expenditure Amounts Undisclosed
2	7/1/97 – 12/31/97	Semi-Annual	\$6,391.99	\$0	\$6,391.99
4	1/1/98 – 3/17/98	Pre-Election	\$450	\$0	\$450
5	3/18/98 – 5/16/98	Pre-Election	\$6,361.02	\$9,184.10	\$2,469.32
10	5/17/97 – 6/30/98	Semi-Annual	\$9,527.37	\$10,052	\$2,305.86

By failing to fully and accurately disclose expenditures on Respondents various campaign statements, as addressed above, Respondents committed four violations of Section 84211, subdivision (j)(5).

COUNTS 3, 6, and 9
Failure to Maintain Campaign Records

Respondents had a duty to maintain detailed accounts, records, bills and receipts necessary to prepare campaign statements, and to comply with the campaign reporting provisions of the Act.

During the campaign reporting periods July 1, 1997 through December 31, 1997, March 18, 1998 through May 16, 1998, and May 17, 1998 through June 30, 1998, Respondents failed to maintain adequate campaign records, including invoices for expenditures totaling \$19,103, and copies of contributor checks for contributions totaling \$20,247, as disclosed by an FTB audit. By failing to maintain required campaign records for expenditures made and contributions received during the three campaign reporting periods between July 1, 1997 through June 30, 1998, Respondents committed three violations of Section 84104.

The total of the invoice amounts and contributions for which copies of contributor checks were

maintained, is set forth below for each of the relevant reporting periods:

Count	Reporting Period	Statement Type	Total Expenditures made by Committee	Total Amount of Expenditure Invoices not Provided	Total Amount of Contributor Checks not Provided
3	7/1/97 – 12/31/97	Semi-Annual	\$6,391.99	\$6,379.81	\$6,929
6	3/18/98 – 5/16/98	Pre-Election	\$6,361.02	\$5,746.32	\$6,618
9	5/17/97 – 6/30/98	Semi-Annual	\$9,527.37	\$6,976.64	\$6,700

By failing to maintain required campaign records, as set forth above, Respondents committed three violations of Section 84104.

COUNTS 7-8

Failure to File Late Contribution Reports

As a candidate and a recipient committee, Respondents had a duty to file late contribution reports, disclosing, within 24 hours, any late contribution that they received prior to the June 2, 1998 election. The late contribution reporting period for this election was May 17, 1998 through June 2, 1998.

Prior to the June 2, 1998 election, Respondents received two late contributions, and failed to file late contribution reports disclosing the contributions. The contributions that Respondents received, and the dates by which they were required to be disclosed in late contribution reports, is set forth below:

Count	Contribution Date	Contributor	Amount	Date Report Due
7	May 24, 1998	Gordon A. Galvan	\$3,000	May 25, 1998
8	June 1, 1998	Software Technologies and Graphics	\$2,000	June 2, 1998

By failing to file late contribution reports within 24 hours, disclosing the two late contributions received by Respondent Committee, as set forth above, Respondents committed two violations of Section 84203, subdivision (a).

CONCLUSION

This matter consists of ten counts, which carry a maximum possible administrative penalty of Twenty Thousand Dollars (\$20,000).

Regarding Count 1, the typical stipulated administrative penalty for failing to properly disclose campaign contributions on required campaign statements has historically ranged from \$1,000 to \$2,000 per statement. As this violation appears to be inadvertent, imposition of an administrative penalty

approximating the middle of the penalty range is appropriate.

Regarding Counts 2, 4, 5 and 10, the typical stipulated administrative penalty for failing to properly disclose campaign expenditures on required campaign statements has historically ranged from \$1,000 to \$2,000 per statement. As these violations appear to be inadvertent, imposition of an administrative penalty approximating the middle of the penalty range is appropriate.

Regarding Counts 3, 6, and 9, the typical stipulated administrative penalty for failing to maintain campaign records has historically ranged from \$750 to \$2,000 per statement. As these violations appear to be inadvertent, imposition of an administrative penalty approximating the middle of the penalty range is appropriate.

Regarding Counts 7 and 8, under the Enforcement Division's Streamlined Late Contribution Enforcement Program, the approved administrative penalty for failing to timely disclose a late contribution is 15 percent of the amount of the undisclosed contributions. Although this case has been excluded from the Program, due to Respondent's additional reporting violations, the late contribution reporting violations in this case appear to be inadvertent, and therefore, imposition of a penalty approximating that standard penalty is appropriate.

The facts of this case therefore justify imposition of the agreed upon penalty of Eleven Thousand Two Hundred Fifty Dollars (\$11,250).